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NEW

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION

CARL J. KUNASEK

Chairman

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL

Commissioner

Jul 29 12 38 PM '99

DOCUMENT CONTROL

In the matter of

PREMIERE FINANCIAL GROUP, INC.,

an Arizona corporation

1245 West Chandler Blvd., #30

Chandler, AZ 85224

HERITAGE PROPERTIES, INC.,

an Arizona corporation

1245 West Chandler Blvd., #30

Chandler, AZ 85224

ESTATE GUARDIAN SERVICES, INC.,

a dissolved Arizona corporation

500 W. Ray Road, #1

Chandler, AZ 85224

JOHN H. LAWSON, an individual,

15643 S. 6th Place

Phoenix, AZ 85048,

Respondents.

DOCKET NO. S-03297A-99-0000

NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER FOR RELIEF

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

For its proposed order for relief, the Securities Division (the "Division") of the Arizona Corporation Commission (the "Commission") alleges that respondents, singularly and in concert, have engaged in acts, practices and transactions, which constitute violations of A.R.S. § 44-1801 et seq., the Securities Act of Arizona (the "Securities Act).

1
2 The Division alleges as follows:

3 **I.**
4 **JURISDICTION**

5 1. The Commission has jurisdiction over these matters pursuant to Article XV of the
6 Arizona Constitution and the Securities Act.

7 **II.**
8 **RESPONDENTS**

9 1. PREMIERE FINANCIAL GROUP, INC. ("PFG"), whose last known address is
10 1245 West Chandler Blvd., #30, Chandler, AZ 85224, is an Arizona corporation.

11 2. HERITAGE PROPERTIES, INC. ("HPI"), whose last known address is 1245 West
12 Chandler Blvd., #30, Chandler, AZ 85224, is an Arizona corporation. In some situations, HPI did
13 business as RE/MAX, HERITAGE PROPERTIES, INC.

14 3. ESTATE GUARDIAN SERVICES, INC. ("EGSI"), whose last known address was
15 500 W. Ray Road, Chandler, AZ 85224, was an Arizona corporation at all times relevant.

16 4. JOHN H. LAWSON ("LAWSON"), whose last known address is 15643 S. 6th
17 Place, Phoenix, AZ 85048, is the president and principal shareholder of PFG and HPI at all times
18 relevant. LAWSON was the president and principal shareholder of ECSI.
19

20 **III.**
21 **FACTS**

22 5. Each of the preceding paragraphs is incorporated by reference.

23 6. PFG, HPI, ECSI and LAWSON are not registered as securities dealers with the
24 Commission. LAWSON is also not registered as a securities salesman. LAWSON has an Arizona
25 insurance license and is licensed to sell certain insurance products within Arizona.
26

THE PFG, HPI AND EGSI PROMISSORY NOTES

1
2 7. Beginning in 1995, HPI and EGSI, through their agent LAWSON, offered
3 promissory notes to the public. The notes were unsecured obligations of HPI and EGSI, with
4 repayment periods up to five years.

5 8. Beginning in 1996, PFG, through its agent LAWSON, began offering promissory
6 notes to the public. The notes were obligations of PFG, with repayment periods up to five years.
7 Some of the notes stated that they were "secured", but no description of the security was attached
8 to the note or otherwise provided to the investor.

9 9. HPI, EGSI and PFG, through LAWSON, sold at least 57 promissory notes to at
10 least 45 investors, for a total principal amount of at least \$2,619,034.13.

11 10. The majority of all investors were over 65 years old and live in Arizona.

12 11. In many circumstances, EGSI and LAWSON would advertise, through newspapers
13 and flyers, estate planning and trust creation services, including seminars. EGSI and LAWSON
14 also utilized cold calling to individuals, offering estate planning and trust creation services. EGSI
15 and LAWSON would solicit buyers to purchase "living trusts." As part of the creation of the trust,
16 LAWSON would have the buyers fill out lists of their assets. With this information, LAWSON
17 would then suggest to some of the buyers that he could achieve higher returns on their money.
18 LAWSON would offer these buyers either insurance products or promissory notes. The insurance
19 products were usually annuities for which PFG and LAWSON received commissions. The
20 annuities often had high fixed rates of return in their first year. These fixed rates would drop after the
21 first year. When the clients complained about the lower rate of return, LAWSON would then suggest
22 that they purchase the HPI, EGSI and PFG promissory notes, which he offered with a higher rate of
23 return.
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1 12. LAWSON gave different investors different information as to how the proceeds of
2 the promissory notes would be used, including that the company would use the funds to purchase
3 second mortgages, that it would purchase a nursing home or that it would use the funds to build a
4 storage facility. These statements were false.

5 13. LAWSON told at least one investor that he guaranteed that the investment was safe
6 and no money could be lost. That statement was false.

7 14. For investors who purchased the HPI notes, LAWSON stated that the company's
8 promissory notes were connected to REMAX. That information was false.

9 15. LAWSON told at least one investor that the promissory note would be secured by
10 existing storage units. That statement was false.

11 16. Some of the notes stated that they were secured by second deeds of trust. Those
12 statements were false.

13 17. PFG, HPI, EGSI and LAWSON did not provide the investors with any disclosure
14 statements, offering documents or prospectuses regarding the promissory notes. They did not
15 provide the investors with any financial information regarding PFG, HPI, EGSI or LAWSON,
16 despite the fact that the books and records of PFG and EGSI showed a negative net worth for the
17 companies.

18 18. Despite the fact that the notes state that the company will provide financial
19 information at least annually, PFG, HPI and EGSI have never provided such information to the
20 investors.

21 19. LAWSON did not disclose to many of the investors that he had an ownership
22 interest in PFG or HPI. LAWSON also failed to disclose to some investors the nature of their
23 investment. Some investors believed that they were purchasing certificates of deposit, secured
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1 promissory notes or stock. Others simply had no idea. It was not until they received the
2 promissory note some time later that many of them realized the nature of their investment.

3 20. The funds raised from the promissory notes were mainly used for operating expenses
4 of PFG, HP and EGSI and personal expenses of LAWSON.

5 **THE LEGEND SPORTS, AMERITECH PETROLEUM AND**
6 **SWEETWATER DEVELOPMENT PROMISSORY NOTES**

7 21. Beginning approximately June 5, 1996, and continuing through September 8, 1997,
8 PFG and LAWSON also sold promissory notes from three companies, Legend Sports, Inc.
9 ("Legend"), Ameritech Petroleum, Inc. ("Ameritech") and Sweetwater Development Co.
10 ("Sweetwater") to eight Arizona investors.

11 22. The eight investors purchased the notes for approximately \$516,773.52. Three
12 investors purchased Legend notes for \$227,034.91. Four investors purchased Ameritech notes for
13 \$238,889.88. One investor purchased two Sweetwater notes for \$50,848.73.

14 23. PFG and LAWSON received commissions ranging from four to eight percent for
15 each note. In addition, PFG and LAWSON received a commission when any note was renewed.
16 PFG and LAWSON received at least \$35,222.07 in commissions from the sale and renewal of the
17 notes.
18

19 24. In 1997 Legend defaulted on its promissory notes and stopped paying interest to
20 investors. A court appointed receiver is now operating Legend and seeking to obtain funds in order
21 to pay creditors, including noteholders. On September 24, 1998, the United States Securities and
22 Exchange Commission ("SEC") filed a complaint against principals of Legend, alleging that they
23 had violated securities laws and had operated Legend as a Ponzi scheme.
24

25 25. On June 3, 1999, the United States District Court for the Northern District of Texas, at
26 the request of the SEC, issued a temporary restraining order against Ameritech and its principals,

1 freezing their assets. The SEC alleged that Ameritech had been run as a Ponzi scheme, with the
2 obligations of older investors being paid off with funds from new investors.

3 **IV.**

4 **VIOLATION OF A.R.S. § 44-1841**

5 **(Offer and Sale of Unregistered / Unauthorized Securities)**

6 26. Each of the preceding paragraphs is incorporated by reference.

7 27. From on or about 1995 through 1998, RESPONDENTS offered and/or sold
8 securities in the form of promissory notes and/or investment contracts, within and/or from Arizona.

9 28. The securities referred to in paragraphs 6 - 25 were not registered under A.R.S. §§
10 44-1871 through 44-1875 or 44-1891 through 44-1901; were not exempt from registration under
11 A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-
12 1844; and were not securities exempt under any rule or order promulgated by the Commission.

13 29. The conduct alleged in paragraphs 6 - 25 above violates A.R.S. § 44-1841.

14 **V.**

15 **VIOLATION OF A.R.S. § 44-1842**

16 **(Transactions by Unregistered Dealers and Salesmen)**

17 30. Each of the preceding paragraphs is incorporated by reference.

18 31. In connection with the offers to sell and the sale of securities, RESPONDENTS
19 acted as dealers and/or salesmen within and/or from Arizona, although not registered pursuant to the
20 provisions of Article 9 of the Securities Act.
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22 32. This conduct violates A.R.S. § 44-1842.
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24 ..
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VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer and Sale of Securities)

33. Each of the preceding paragraphs is incorporated by reference.

34. In connection with the offers and sales of securities within and/or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- a. Failed to inform investors of the true financial condition of PFG, HP and EGSI;
- b. Informed investors that the promissory notes were secured notes when in fact they were unsecured;
- c. Informed at least one investor that the notes were guaranteed and the investor would not lose any money, when in fact there was no basis for such a statement;
- d. Informed investors that the proceeds from the sale of promissory notes were to be used for specified projects when in fact they were mainly used for operating expenses of PFG, HP and EGSI and personal expenses of LAWSON; and
- e. Informed at least one investor that PHG had already constructed storage facilities in Arizona and that the notes would be paid off from the money earned by that facility, when in fact there was no basis for such a statement.

36. This conduct violates A.R.S. § 44-1991.

XII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief against each respondent:

1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including without limitation a requirement to make restitution pursuant to, inter alia, A.R.S. § 44-2032;
3. Order RESPONDENTS to pay the state of Arizona an administrative penalty of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order any other relief that the Commission deems appropriate and authorized by law.

XIII.

HEARING OPPORTUNITY

In accordance with A.R.S. § 44-1972 and A.A.C. R14-4-306, RESPONDENTS are notified that each respondent is afforded an opportunity for a hearing only by filing a written request for a hearing and cover sheet with Docket Control, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007, within 10 days after service of this Notice. RESPONDENTS are further notified that a cover sheet must accompany all filings. Failure to use the cover sheet may result in the delay of processing or the refusal to accept documents. RESPONDENTS may obtain a copy of the cover sheet by calling Docket Control at (602) 542-3477.

The date set for the hearing shall be within 15 to 30 days after the request for the hearing

1 has been docketed, unless otherwise provided by law, stipulated by the parties, or ordered by the
2 Commission. Any respondent who does not request a hearing within the time prescribed is
3 subject to the Commission issuing an order against that respondent containing such relief as the
4 Commission deems appropriate, including but not limited to the relief requested above.

5 Persons with a disability may request a reasonable accommodation such as a sign language
6 interpreter, as well as request this document in an alternative format, by contacting Cynthia
7 Mercurio-Sandoval, ADA Coordinator, voice phone number 602/542-0838, e-mail
8 csandoval@cc.state.az.us. Requests should be made as early as possible to allow time to arrange
9 the accommodation.

10 Dated this 29th day of July, 1999.

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13 Mark Sendrow
14 Director of Securities
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